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## THE DOMINICAN CONVENTION AND ITS LESSONS

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sioner Plenipotentiary to Santo Domingo, and  
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The occasion for American intervention in Dominican affairs in 1905 was the imminence of serious complications between the United States and foreign powers, growing out of the active measures taken by such governments to enforce the rights of their creditor-citizens as secured by formal contracts or by international protocols with the Dominican Republic.

For thirty-five years before (1869–1904), Dominican history had been a miserable succession of revolution and anarchy, interrupted by ruthless and blood-stained dictatorships. Of this mis-government the financial counterpart was the accumulation of some \$40,000,000 of public indebtedness, much of it semi-fraudulent in character but possessing sinister importance by reason of commitments which the Dominican Republic had been driven into making with creditor governments.

If the United States had been willing to contemplate the full operation of these instruments, much of the reason for intervention as an international necessity would have disappeared. On the other hand, if the seizure of Dominican

<sup>1</sup> Much of the historical and descriptive matter contained in the following paragraphs has already been published by the author in one form or another: "A Report on the Debt of San Domingo," 1905; "The Readjustment of San Domingo's Finances" in *Quarterly Journal of Economics*, May, 1907; "The Financial Difficulties of San Domingo," in *Annals of the American Academy of Political and Social Science*, July, 1907; "The Reorganization of Dominican Finances," in *Proceedings of Lake Mohonk Conference*, October, 1912; "The Regeneration of San Domingo," in *The Independent*, August 28, 1913.

custom ports by foreign powers for the prolonged period necessary to discharge heavy debts, and the appreciable voice in the internal affairs of the country that such occupation was certain to carry with it—if these things were deemed inconsistent with the traditional policy of the United States in the West Indies, then it appeared that some positive action on the part of the United States was imperative.

The expressed preference of such foreign governments had been to take independent action in compelling San Domingo to respect her contract and treaty obligations. In deference to the United States, this attitude had been waived, and the American government besought to take the initiative in the matter. There was every reason to suppose that, failing intervention on the part of the United States, independent and immediate action would have been seriously considered by such foreign governments.

On April 1, 1905, an interim arrangement was effected by the United States providing for administration of the Dominican customs. Thereafter San Domingo enjoyed a civil calm and an economic wellbeing such as it had not known for two generations. Insurrections ceased, agriculture revived and trade developed. The government was enabled to meet its current expenses, to accumulate a surplus for larger requirements, and to segregate a fund towards the adjustment of its debt.

The American-Dominican convention of July 25, 1907, was designed to preserve such conditions, with less considerable involvement on the part of the United States. Instead of the United States both adjusting the debt and collecting the customs for the payment thereof—as was proposed in the original protocol arranged between the two countries—the Dominican Republic itself arrived at a voluntary agreement with its creditors, and the United States undertook to administer the customs for the service of the debt so adjusted.

The details of the readjustment were (1) a drastic scaling down of recognized debts and claims; (2) the extinction of burdensome monopoly-concessions recklessly granted by the Dominican government; (3) the provision of a considerable

residual amount for the construction, under proper restrictions, of permanent public improvements. All of the foregoing was effected by the creation of a refunding loan of \$20,000,000, of fifty-year, 5 per cent bonds, accepted by creditors upon the basis of the debts as readjusted, and secured as to interest and amortization service by a customs receivership on the part of the United States.

In detail the service of the debt was assured by the appointment, by the President of the United States, of a general receiver of Dominican customs, who, with the necessary assistants, likewise appointed, should collect all the customs duties of the Republic until the payment or redemption of the bonds so issued. From the sum so collected the general receiver, after discharging the expenses of the receivership, paid over to the fiscal agent of the loan on the first day of each calendar month the sum of \$100,000, to be applied to the payment of the interest and the amortization of all the bonds issued. The remainder of the sums collected by the general receiver were paid monthly to the Dominican government.

The Dominican government might also apply any further sums to the amortization of the bonds, over and above the 1 per cent sinking fund provision stipulated; but, in any event, should the customs revenues collected by the general receiver in any year exceed the sum of \$3,000,000, one-half of the surplus above such sum of \$3,000,000 must be applied to the sinking fund for the further redemption of bonds.

The Dominican government agreed to provide by law for the payment of all customs dues to the general receiver and his assistants, and to give them all useful aid and assistance and full protection to the extent of its powers. The government of the United States in turn undertook to give to the general receiver and his assistants such protection as it should find to be requisite for the performance of their duties.

Provision was also made that, until the Dominican Republic paid the whole amount of the bonds so created, there was to be no increase of its public debt, except by previous

agreement between the Dominican government and the United States, and that the like agreement should be necessary for any modification of the Dominican import duties. The accounts of the general receiver were to be rendered monthly to the contaduria general of the Dominican Republic and to the state department of the United States for examination and approval by the appropriate officials of the two governments.

The Dominican convention has now been in operation for six years—a period long enough to estimate its work and consequence with some reasonableness. In that time little short of a revolution, social, political and economic, has been wrought in the country. Not a revolution of the old type, involving waste and ruin, but a revolution in the arts of peace, industry and civilization. The people of the island, protected from rapine and bloodshed, free to devote themselves to earning a livelihood, are fairly on the way to becoming a decent peasantry, as industrious and stable as sub-tropical conditions are likely to evolve. Agriculture, the great economic mainstay of the Republic, has gone forward by leaps and bounds. The cultivation of cacao, tobacco, sugar and cotton are no longer the speculative possibilities of brief interludes of peace, but normal, lucrative occupations. All of this has been reflected in an incredible expansion of the commerce of the country, both exports and imports. The foreign trade of San Domingo for (1911–12) the latest fiscal year for which figures are available, aggregated nearly \$20,600,000, as compared with some \$5,000,000 for the year preceding the convention. The terms of the debt service have been maintained with perfect fidelity, not only in the matter of the interest charge, but in the amortization of the loan much beyond the anticipated provision.

The total customs collections for the ten months of the sixth convention year (1912–13) have aggregated \$3,312,019.12, compared with \$2,983,181.90 for the corresponding period of 1911–12. If the present rate has been maintained for the remainder of the fiscal year—and it is certain that such has been the case—the total customs collections for

1912-13 will exceed \$4,000,000, being practically double the collections realized at the time the receivership was inaugurated and insuring a supplementary payment of \$500,000 toward the amortization of the loan, in addition to the \$200,000 for which statutory provision is made. With the further rapid improvement in the fairly limitless economic development of the country, and with continued progress in the direction of reducing the high import duties and entirely abolishing all export duties—along which a wise initial step has already been taken—there is certain to be even more notable improvement in public revenues, thus not only making possible ampler expenditure, but ensuring earlier discharge of the national debt.

In political affairs there has from time to time been a reappearance of unwholesome tendencies, and the past year witnessed something of this kind—some part of which, at least, is to be charged to the policies of our own government. The immediate interest of the Dominican convention consists in its efficacy in rescuing an international derelict. But its collateral significance to the United States is even greater—applicability of the essential provisions of the arrangement to other financially bankrupt, revolution-torn and internationally menaced republics of Central and South America. It accordingly becomes worth while to scrutinize minutely our experience with San Domingo in order to determine—and hereafter avoid—any possible errors in connection with our activities in that direction. There have been at least three such lapses: (1) the continuity of administrative oversight has been disturbed; (2) a political upheaval based upon violence has been countenanced, and (3) the incurring of so-called revolutionary debts has been validated.

1. The change in administration in Washington in March, 1909, effected serious disturbance in the conduct of Dominican affairs. At the very outset we severed all connection with those advisers whom circumstances had made intimately acquainted with the Dominican problem and whose counsel had up to that determined every step in connection therewith. Thereafter Dominican affairs

were directed in formal departmental routine by officials who were without any prior knowledge of the subject, who were unfamiliar with San Domingo and its people and who were compelled to rely for their equipment upon imperfect departmental records. The change was not merely from one group of advisers to another; but from persons who knew every detail of the Dominican problem to others who were unacquainted with any part of it.

The consequences of this abrupt transition were soon felt in San Domingo in the form of administrative difficulty and political agitation. The intimate personal note which had from the outset figured in the influence exerted by the United States and which was of such peculiar value in the formative period could not be replaced by departmental routine, handicapped as it was by insufficient knowledge. Certain things which it was desirable for San Domingo to do and which it had before been possible to accomplish by mere suggestion, were left undone because they could not be made the subject of formal instructions. On the other hand such communications as were sent tended to excite by their new formality and rigor a feeling of hurt and resentment.

Out of this new relation there developed in San Domingo a feeling that the convention administration enjoyed less cordial regard in Washington. Industriosly circulated by the elements hostile to order and honesty, this rumor served as a pretext for political unrest. Premonitory symptoms, easy of recognition and simple of correction, were neglected in Washington and the train laid for revolutionary outbreak.

It is true that the orderly government and the honest administration of the convention government in San Domingo had excited some hostility and resentment in the circles that had profited by the old régime. The suppression of graft, the elimination of sinecures, the refusal of concessions, the drastic scaling down of semi-fraudulent claims, the rigid administration of customs regulations and the impartial collection of taxes and dues—were innovations so radical as to inevitably arouse the hatred of those to whom



such perquisites had come to be regarded as proprietary rights. It is likely that a certain personal brusqueness and occasional tactless conduct on the part of the Dominican executives may have occasioned some animus in more respectable quarters. But on the other hand, it is certain that there were few persons in San Domingo whose opinions were entitled to respect who did not believe that the government was being honestly and efficiently administered and that the country itself was entering upon a new political and economic era.

These were conditions as to policy and personnel which it was desirable for the United States to seek to maintain. The principal Dominican executives were unusually fine examples of the Latin-American publicist, men of high moral character, unblemished personal integrity and of real and tested patriotism. The President was probably the best loved man in San Domingo and the minister of finance, the brainiest. Both men understood the motives which had actuated the United States in entering into the convention, and believed in us and in our intentions. Upon the minister of finance had devolved the detailed conduct of the debt adjustment and in this he had displayed financial ability and political statesmanship of a high order.

2. The convention President was assassinated on November 20, 1911, and the minister of finance escaped the same fate only by flight to Jamaica. The assassination itself was the act of a political malcontent, unrelated save in the general way suggested above, to popular feeling and to political condition. Nothing that the United States could have done would have removed the possibility of such an act of individual violence. But for the consequences of the assassination—far-reaching and portentous—the United States was more responsible. Immediately after the assassination, the reigns of government were seized by a military leader; a kinsman figure-head of the same name was installed as provisional president and two months later elected president for a six-year term.

This procedure the United States should never have tolerated. Exercising the ample power vested in it by sec-



tion II of the convention, the United States should have seen to it that the office of president and other vacated positions were filled in accordance with the spirit of constitutional government, instead of countenancing a coup d'état made possible by assassination. By keeping our hands off at this time, we revived the most vicious feature of the old order of things—disregard of orderly government in favor of political violence. A premium was put upon revolution and disturbance, and much of what we had professed was apparently negated. There was no choice as between intervention or non-intervention, but only as between inaction then and gun boats later. All Dominican history made it certain that failure to preserve political stability at this stage would entail more serious involvement thereafter.

The revolutionary government endured exactly one year. Through its whole course ran political disturbance of such increasing force as eventually to compel American intervention. This entailed the recognition of the revolutionists, the resignation of the dictator-made president and the installation of a compromise successor as provisional president. Of the doubtful wisdom of the actual selection, it is unnecessary to speak. More general considerations arise in connection with the recognition of the revolutionists, as an unfortunate precedent in the future relations of the United States to San Domingo. It is very possible that with matters gone as far as they had no other course remained open to the United States, and that this necessity must be accounted the inevitable sequel of the original error of acquiescing in the coup d'état. But the consequence was none the less grave. The Dominican mind once again revived the cherished principle of native politics—a doctrine become temporarily passé in the enforced calm of the preceding six years—that if a patriot be dissatisfied with the constituted government, he may take to the bush and eventually secure honor and emolument for his "revolution." A political settlement on such lines carried the assurance of its own destruction. On March 31, the resignation of the provisional president was presented to

the Dominican Congress and accepted, involving further disturbance and adjustments until the present administration was established—the stability of which still remains to be determined.

3. A no less serious feature of the intervention of September, 1912, was the validation on the part of the United States of a large amount of public indebtedness incurred during the dictator administration, by authorizing a new bond issue to provide for its discharge. Whether the mode of sale and the price realized for this loan offer any ground for criticism can not be determined without full knowledge of circumstances and records. Immediate judgment is however possible with respect to the validation itself.

The validation in question consisted in the affirmative exercise, on the part of the United States, of the authority conferred by section III of the convention: "III. Until the Dominican Republic has paid the whole amount of the bonds of the debt, its public debt shall not be increased except by previous agreement between the Dominican government and the United States."

The purpose of this clause was to prevent San Domingo, for a long term of years, from sinking back into the morass of semi-fraudulent debt from which the financial readjustment of 1907 had extricated the country. In drafting the convention an absolute prohibition of further debt contraction was at first contemplated and this was only modified in the thought that the economic regeneration of San Domingo might go on so rapidly as to make desirable some large public improvement for which current revenues would be inadequate. It was never anticipated that recourse would be had to this provision for the recognition of floating administrative debts and claims within the early years of the convention and while its working was still experimental.

Of the character of the floating indebtedness so validated by the United States, it is impossible to speak as details have not yet been made accessible. Inasmuch as it appears to have originated in the main during the twelve months of the dictator government, the presumption is that it differs

in no material respects from much of the pre-convention indebtedness. But even to the extent to which it may have been free from the unsavory quality of the old Dominican indebtedness, it should never have received the sanction of the United States as justifying a new loan secured by a lien upon customs receipts and a service administered by the customs receiver.

The spirit of the debt adjustment of 1907 and the letter of the convention had been to serve notice upon all prospective lenders that future advances to the Dominican Republic were at the lenders' risk and must, unless sanctioned by the United States, be in the nature of temporary loans repayable as to interest and principal from out of current revenues. If, during a twelve months of wasteful and inefficient administration in which graft and prodigality held carnival, any particularly daring lenders were willing to make advances, upon terms satisfactory to themselves, to a depleted treasury—it was certainly not the duty of the United States to secure such advances. It would have been wisdom on the part of the United States to have discouraged the contracting of such indebtedness; but failing to do this, it was in the last degree unwise to have approved its existence. If such indebtedness existed it should have been discharged by San Domingo in succeeding years from out of current revenues, made possible by less wasteful administration. The experience of the convention government had shown that such retrenchment was possible and the increased flow of customs revenue made it easier now than then. Such a mode of discharge would not, of course, have offered the comfort to the lenders that the debt validation did, but far from this involving any injustice, it would have been a salutary treatment of daring financial enterprise and a deterrent to further ventures of this kind.

It thus appears that with respect to administrative oversight, political stability and financial policy there has been appreciable departure from the course defined by the Convention and pursued during the first years of the customs receivership—with the consequences of occasional friction

in San Domingo and unnecessary concern in the United States. But there will never be a reversion to old conditions. The convention clearly defines the duties and the obligations of the two contracting countries, and its wise and statesmanlike provisions are ample to meet every contingency likely to arise—if we will but avail ourselves intelligently of them. It would be an incredible thing if the traditions and practices of two generations should not struggle to reassert themselves. Yet on every hand there is evidence that a new degree of national consciousness is crystallizing, that a new type of national leadership is being evolved and that new ideals of national well-being are taking form.

To sum up, the extension of the good offices of the United States to the Dominican Republic has meant that debts and claims aggregating nearly \$40,000,000 have been and will be honorably discharged for about \$17,000,000; that the Republic's credit has been established on a very high plane; that onerous concessions and monopolies have been redeemed and important works and improvements undertaken; that adequate revenues for the maintenance of orderly government have been assured; that social progress and economic betterment have been made possible and that imminent danger of foreign intervention has been removed, and all this without loss of territorial integrity or menace of independent sovereignty on the part of San Domingo and without embarrassing involvement or troublesome burden on the part of the United States.